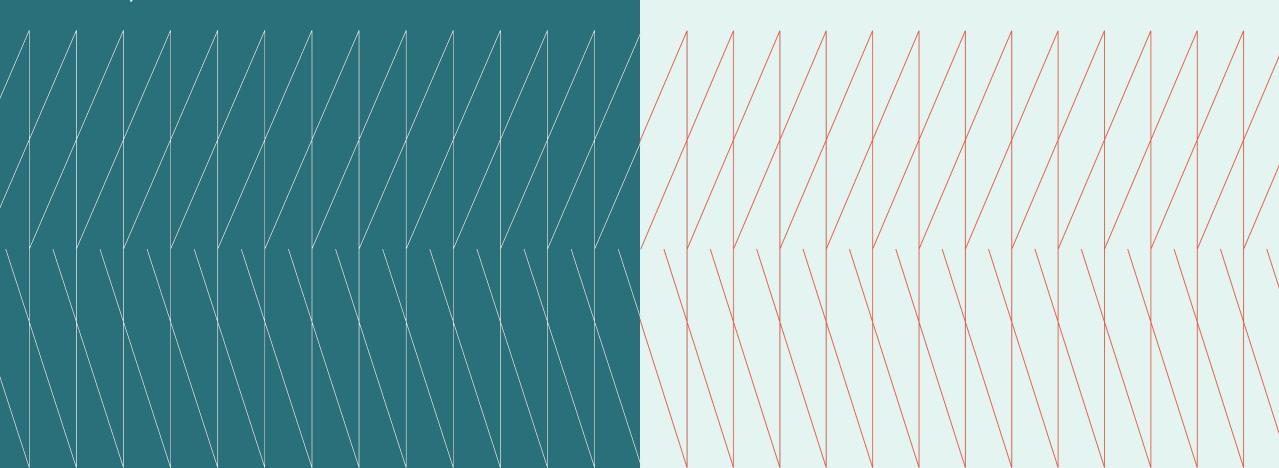Executive Summary

Thought Leadership Exchange for Financial Services

March 11, 2025

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Overview

In this Exchange session, several CIOs and CTOs from leading financial services organizations convened to discuss progress being made at their organizations on creating and scaling AI initiatives, approaches to governance, and strategies for exploring and deploying agentic AI solutions. The agenda was created based on advance interviews with participants.

Host/SME

ANDRE PUTTER
Vice President,
Head of Solutioning,
Kyndryl

KHALIQ KHAN
Vice President,
Global Lead of Kyndryl Vital

Key topics

Augmented Experiences for Customers and Employees

- Khaliq Khan started the conversation by highlighting the disparity in IT system investments versus utilization in banks (70% of investments are directed towards customer-facing solutions, yet 93% of system usage comes from employees). This disparity between investment and function utilization is significant and noteworthy.

- He then shared his perspective on how rapid advancements in AI enable fundamental shifts in how businesses, particularly those in the banking sector, interact with customers to build trust and engagement with their clientele.

- AI empowers banking systems to move away from rigid, rule-based solutions (for example, credit scores and loan requests) and towards more

flexible statistical inference and prediction models that can analyze non-traditional data sources. In addition to offering greater adaptability and accuracy in complex fraud detection and risk management scenarios, these AI-powered statistical models provide customers with more personalized and desired experiences.

- Banks have a huge opportunity to use these cognitive AI solutions — solutions complementing banks' core systems that can create statistical normality models for each of their customers — to "rather than offering products, start solving for life's problems" for customers. The use of AI can also enable banks to offer "graded solutions" that can deliver consistent yet personalized brand experiences for both mass market and affluent customers.

- Khan discussed the concept of "augmented intelligence" as a practical approach to AI adoption, suggesting banks should focus on leveraging AI to enhance human capabilities and existing systems rather than pursuing immediate and complete replacements. This approach allows for a more measured and less disruptive integration of AI technologies, enabling organizations to validate the value and return on investment before committing to large-scale overhauls.

"From a technology perspective, the narrative is you need to do major uplifts before you can use AI. My suggestion is actually don't go down that path. Actually, go down the path of augmented intelligence to see if you can complement your current solutions and validate the value of that augmentation before you do something [transformative]."

— Khaliq Khan, VP, Global Lead of Kyndryl Vital

AI Readiness report

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Creating and Scaling AI Applications

- CIOs and CTOs continue to validate practical use cases of AI that have existed for several years, particularly those tied to efficiency and productivity. Examples include chatbots, customer service center applications performing voice recognition, intent recognition, and Know Your Customer activities, data cleansing, AI assistants for developers, lenders and security teams, and sentiment analysis of customer feedback. Participants are just at the outset of thinking about more advanced use cases such as fraud detection, credit approval, and investment projection.

- Members are beginning to see the price-to-value conversation become an important factor in their decision-making regarding investing in AI solutions. This is particularly true

as customer-facing solutions from third-party vendors are expected to increase prices significantly. As a result, some organizations are instituting focus groups to evaluate AI initiatives to ensure value can actually be realized.

- Executives are challenged to combine the different aspects of AI to create a holistic solution — especially one that encourages balanced investment in internal and external applications of the technology.

- Leaders expressed that another barrier to achieving end-to-end process optimization is that third-party vendors and software products each have their own isolated AI capabilities. One CIO's organization has deployed an "AI Gateway hub architecture" with an API-driven interface as a central hub to

facilitate, manage, and maintain consistent interaction across different LLMs and AI-powered applications.

- For one organization, adding AI into its business processes "was actually an easier task than one would have imagined" due to the organization working with micro services. As a result, the organization didn't have to "reinvent, re-implement or re-factor" its existing technology.

"The challenge that we foresee is if you have an application landscape with a lot of packaged solutions, meaning third-party solutions, each with their siloed AI, how do you optimize it from an end-to-end perspective?"

— CTO, member of the FSS Thought Leadership Exchange

Perspectives on private cloud services for artificial intelligence

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Robust AI Governance and Policy

- Establishing comprehensive governance models and clear policies has emerged as a critical challenge and a top priority for executives looking to deploy AI solutions.

- Participants say that balancing internal legal controls with external regulatory compliance — all while future-proofing AI solutions under development — is imperative for long-term success.

- One executive shared successes his organization has had in formulating a governance model by creating a cross-functional governance "center of excellence," bringing together technology, legal, compliance, and information security teams to define and enforce frameworks. Governance frameworks must cover decisions such as algorithm transparency within AI applications, data security rights among the workforce and customers, and oversight and decision rights.

- The EU's AI Act and the surrounding lack of clarity around the evolving regulation "is one of the biggest challenges" facing the group. While there is concern that European businesses could fall behind in AI to companies in less heavily regulated countries such as China or the United States, one participant believes that global competitive dynamics might eventually drive a convergence between Europe and other countries in adopting more advanced AI capabilities.

"We are trying to embed a governance model into our existing processes of AI, and this is becoming the biggest challenge at the moment."

— CTO, member of the FS Thought Leadership Exchange

Data privacy and AI Governance assessment

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The Promise and Risk of Agentic AI

- CIOs want to explore potential applications for agentic AI, where AI systems can autonomously run tasks by interacting with other applications through APIs.

- Participants acknowledged the technical feasibility of connecting agentic AI applications to core banking systems but have raised questions about how agentic solutions will "play together." This becomes more important as vendors will likely all offer "some sort of embedded AI in the future."

- The group also expressed concerns about allowing autonomous, agentic AI applications to operate in highly regulated environments without adequate oversight and control. At this juncture, some leaders lack a "risk appetite" to pursue agentic AI. As a result, "technology is moving faster than adoption is."

- "If you take the concept of enabling AI to use APIs of other applications to run tasks, that is very interesting but not foreseen in the general architecture and solution architecture currently in place. So the interesting question is how do you bring that technology to scale?" — Kyndryl Financial Services Thought Leadership Exchange Member

"For financial firms to break free from innovation inertia, they would be wise to internalize that stability does not mean standing still. AI adoption does not have to be an all-or-nothing gamble; it's an opportunity to evolve, strengthen security, and build a more agile and competitive business. Institutions that recognize this will define the future of finance."

— Peter Kerstens, Advisor, DG FISMA, European Commission

"What banks must risk" – an article for Kyndryl Institute

Read more

Augmented Experiences | Creating and Scaling AI Applications | AI Governane and Policy | The Promise and Risk of Agentic AI

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